



MISSOURI CREDIT UNION ASSOCIATION

January 11, 2010

Mary F. Rupp, Secretary of the Board
National Credit Union administration
1775 Duke Street
Alexandria, VA 22314-3428

RE: Comments on Proposed Rule 12 CFR Part 701, Field of Membership

Dear Secretary Rupp:

Thank you for the opportunity to comment on the proposed rule. We appreciate the effort made by the Board to make the application process for federal charters and charter expansions more expedient and objective. We understand the statutory mandate to clearly define geographic areas and understand the legal challenges that the agency has endured over the years. However, there are aspects of the proposed rule that we believe will negatively affect the desire and ability of credit unions to convert to the federal charter. We support the dual-chartering system and believe that enhancements to both state and federal charters benefit all credit unions. The healthy competitive balance that is provided by the dual-chartering system is what makes both charters valuable options for credit unions to assess, and choose, based on their strategic goals.

Geographic Area Definitions

We support in theory using definitions of geographic areas that are already in use by government agencies such as the Census Bureau and the Office of Management and Budget (OMB). However, in the effort to clarify and succinctly define geographic areas, the selected definitions of the current rule exclude the two major municipalities in Missouri from qualifying as "hubs" due to either the population or percentage of jobs criteria. This limits the opportunity and ability to expand as well as curtails the desirability to pursue a federal charter in these communities. Having researched the other areas of the state, St. Louis and Kansas City appear to be the only communities negatively affected, but the largest concentration of Missouri credit unions is located in those two areas. We suggest that further consideration be given to qualification criteria regarding both areas. Our information indicates that over 30 major areas around the country are affected and share our dilemma. Modifying criteria is a reasonable request. For example, the NCUA already stated in approvals of two Missouri charter conversions that the City of St. Louis and County of St. Louis area was considered a "hub". Although they are distinct by the definitions proposed in the rule, they are considered by our community as one. The city and county of St. Louis have many overlapping civic support organizations such as emergency response units, councils and government entities. The City of St. Louis is considered the "city not within a county" and is an aberration that needs to be addressed. Although the definitions serve to reduce exposure to legal challenges through widespread acceptance of these terms and reference consistency, we hope you consider the unintended consequences noted above.

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We also suggest that since the Census Bureau and OMB definitions are statistical in nature, complex, and difficult for credit union professionals to easily identify and comprehend, that the area specific data be made easier to access and decipher. This would be extremely helpful for credit union professionals in adjusting to and using the new definitions in determining qualified geographic areas for charter applications. Ease of access and interpretation is of critical importance to credit unions in simplifying the application navigation process, reduce the research burden, and reduce or eliminate the need to contract expensive outside expertise to complete the application.

We also believe that the limitation of 100,000 in population to qualify as a rural district is too limited. Like many other states in the Midwest, Missouri has only two dense population areas – Kansas City and St. Louis. Most of Missouri is categorized as rural by our state government. Therefore, we believe that more latitude should be given to define rural district. We believe a more reasonable population limit would be 300,000. We recommend that the population be increased with a qualifier that limits a percentage of state population. This would address sparsely populated states where a larger population would be perceived as allowing charters to incorporate a large portion of the state.

Evaluation of Credit Union Marketing Plans

The rule proposes to address ability to serve an area through evaluation of the credit union's marketing plan, with follow-up evaluations to determine if the credit union is meeting goals set out in the plan. The rule does not indicate specific inclusions in the plan. Therefore, it may be helpful to provide additional guidance that sets a consistent outline format, similar to a Request for Proposal (RFP). Adopting this approach could help the agency in expediently reviewing applications, and provide consistency in the review of applications across NCUA regions. In regard to the follow-up evaluation process, we have concern that examinations in the field may not take into consideration a credit union's response to a rapidly changing economy and marketplace; and we understand that some subjective judgment could be applied in these instances. In subsequent reviews, assessing the effectiveness of a credit union in meeting their planned goals, it may be helpful to have a consistent addendum report format that a credit union could complete if credit union management had to modify their marketing strategies due to unforeseen changes such as unprecedented legislation, stress in the economy, a management change, merger, litigation, competition, and disasters. We urge that the agency maintain flexibility and consider broadening acceptable credit union statistical indicators in conjunction with a marketing plan as a yardstick to measure the ability to serve.

Definition of Underserved Areas

Regarding the definition of underserved areas, the proposed rule contains a provision that the area must be "underserved by other depository institutions." We strongly oppose using a "concentration of facilities" methodology in defining underserved areas. The recent financial crisis demonstrates that if, for example, an area was served by only one large national franchise bank with several branches, the area would have inherent risk of not having its financial needs met on a sustainable basis based upon the area's reliance on the continued viability of only one provider. This could be exacerbated if the bank, or its area branches, were primarily commercial lending outlets, therefore not adequately serving the financial needs of consumers. Consumers in an area are best served when some element of competition and consumer choice of a financial service provider exists within a community. Having an area dependent upon being categorized as underserved based upon a concentration of other depository institutions appears irrelevant when the core objective is to ensure that in an area under economic stress significant

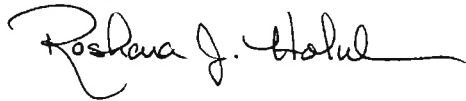
consumer financial needs are met. We suggest that it would be best to assess the range and depth of consumer products and services offered in an underserved area.

Emergency Mergers

We support the concept of allowing credit unions with dissimilar fields of membership to merge when they are "in danger of insolvency" as categorized in the proposed rule. However, we believe that the criteria are too limited. In practice, that which constitutes and defines "in danger of insolvency" is broader than just capital adequacy. Although statutorily capital adequacy is appropriate, other factors can place a credit union in danger of insolvency within the timeframes noted in the proposed rule. Including additional measurements beyond just capitalization that could specifically trigger a merger appears reasonable. For example, an adequately-capitalized credit union can be in danger of failure if it loses its primary sponsor group to bankruptcy, or if there is inadequate support in the community or inability to attract volunteers, a negative decision in litigation or there is abrupt termination of management. We feel the insurance fund would be best served by dealing with these types of contingent events pro-actively before capital is critically impaired. We understand the desire to remain objective. However, in emergency mergers there is always an element of judgment that must be exercised. It would appear that a broader approach, such as including additional parameters, would be warranted.

Thank you for the opportunity to comment on the proposed rule. If you would like to discuss the issue further, please feel comfortable contacting me directly at (314) 542-1333 or rholum@mcua.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Roshara J. Holub", with a stylized, flowing script.

Roshara J. Holub
President/CEO